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SIPDIS

SENSITIVE

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STATE PASS TO TDA FOR STEINGLASS/SIGLER
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SUBJECT: OIL AND JOBS FOR JORDAN: AMERICAN FIRM HAS BIG
PLANS

SENSITIVE BUT UNCLASSIFIED

1. (SBU) SUMMARY: Washington Group International (WGI) executives updated post on lurching, but continuing, progress on the commissioning of a magnesium oxide plant for the Arab Potash Company (APC) and shared ideas on proposed energy synergies that could result in significant cost savings and job growth in Jordan's Dead Sea area. They also told the Ambassador that WGI would seek TDA support for a feasibility study of a newly developed oil shale extraction process that would enable the company to produce over 100,000 barrels of crude oil per day in Jordan at economical production costs.
END SUMMARY

MAG OXIDE PLANT: NOT OUT OF THE WOODS YET

2. (SBU) WGI Executive Vice President Gil Clausen and Vice President James Shultz paid a courtesy call on Ambassador Gnehm and Econoffs June 25. The purpose of their visit was to update the Ambassador on current projects, WGI's relationship with the Arab Potash Company (APC), and prospects for new sources of energy and fuel in Jordan. WGI, a global engineering, construction, environmental and mining company is nearing completion of a magnesium oxide producing plant in Jordan for APC.

3. (SBU) WGI took over the contract from a pair of German and Turkish companies to build the magnesium oxide plant and bring it into operation. Clausen said that although the German and Turkish companies left a mess behind them, the plant was presently in its final commissioning stages. However, difficult market conditions, which include prices that are below "economic feasibility", and an extremely competitive environment, meant that the project was not "out of the woods" yet. Clausen said despite the questionable economics of the project, WGI was still looking forward to its completion and hopeful of its success.

AND JOBS AS WELL

4. (SBU) More broadly, Clausen said that Dead Sea mining had vast unexploited commercial and economic potential. He said WGI looked at the sector in its entirety, in contrast with the GOJ's "one project at a time" view of the region and its potential. He said that the area's main need was for energy. Construction of a power plant fired by natural gas piped in from Egypt via Aqaba could provide power for APC, Jordan Bromine, the magnesium oxide plant, a possible future magnesium metal plant, and, potentially, for Israeli industry on the other side of the Dead Sea. Clausen said an "independent power complex on the Dead Sea" could fulfill the entire 220 megawatt need of the mining concerns on the Jordanian shore of the Sea and still have some surplus gas available for sale. He said he had discussed the idea with Planning Minister Bassem Awadallah, who was also in favor of the project. Clausen said the project would provide 10,000 jobs in the currently impoverished region.

OIL IN JORDAN?

5. (SBU) Meanwhile, Clausen told us that a newly-developed extraction process could enable WGI to extract from 100,000 to 200,000 barrels of crude oil per day from oil shale deposits found south of Amman. Previously recovery costs for these deposits had been too high to be economical, but the process, developed by Sun Corporation of Canada, could produce from 50,000 to 70,000 barrels per day initially, with "centuries of reserves" at production costs of \$8-10 per barrel. He added that the economics on the project "have been reviewed" and that WGI has the right team in place to make it happen. He said that WGI executives have been consulting with GOJ officials, including Awadallah and Minister of Energy Bataineh, who are eager to get the project

on the fast track. The next step, Clausen said, was a full-blown feasibility study, about which it would soon be approaching the US Trade and Development Agency (TDA).

COMMENT

16. (SBU) WGI's comprehensive approach to Dead Sea mining merits consideration by the TDA, the GOJ, and interested foreign investors. If the company's projections on the oil shale and the natural gas plant are realized, the economic impact on Jordan and the Dead Sea mining sector may be significant. Post will continue to monitor the progress of all of WGI's projects, current and proposed, and will lend support when appropriate. END COMMENT

GNEHM